

**EMMETSBURG  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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**EMMETSBURG COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

**(Before September 2009 Election)**

Karla Anderson	President	2009
Dave Van Oosbree	Vice President	2009
Don Hagen		2011
Linda Tienter		2011
Laura Oppenheimer		2011
Steve Pelzer		2011
Kent Egland		2009

**(After September 2009 Election)**

Karla Anderson	President	2013
Steve Pelzer	Vice President	2011
Don Hagen		2011
Linda Tienter		2011
Laure Openheimer		2011
Tammy Naig		2013
Kim Campbell		2013

**School Officials**

John Joynt	Superintendent
Patricia Swanson	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Emmetsburg Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2011 on our consideration of Emmetsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2011

# EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Management's Discussion and Analysis

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,381,517 in fiscal 2009 to \$7,273,036 in fiscal 2010 (14% increase), while General Fund expenditures decreased from \$6,921,587 in fiscal 2009 to \$6,744,517 in fiscal 2010 (3% decrease).
- Expenses decreased primarily due to cost containment measures. A large portion of the savings is attributed to moving the junior high to the high school campus.
- General Fund revenues increased despite a midyear state aid cut. The cut was partially offset by additional federal stimulus dollars and to an increase in property taxes of over \$400,000.
- The General Fund balance increased over \$529,000 to finish the year with a positive balance of over \$422,000.
- The District collects statewide sales, services and use taxes. This money is being used for property tax relief, debt retirement, equipment and building projects.
- In fiscal year 2008, the District passed a bond issue for additions to and remodeling of the high school building. The building now houses grades 5-12. Funds for the construction came from existing capital projects monies and sources as well the bond issue. It was anticipated that the District's General Fund would benefit from increased efficiencies in staffing, utilities and transportation and these predictions appear to be accurate.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and fiduciary funds as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Emmettsburg Community School District Annual Financial Report***

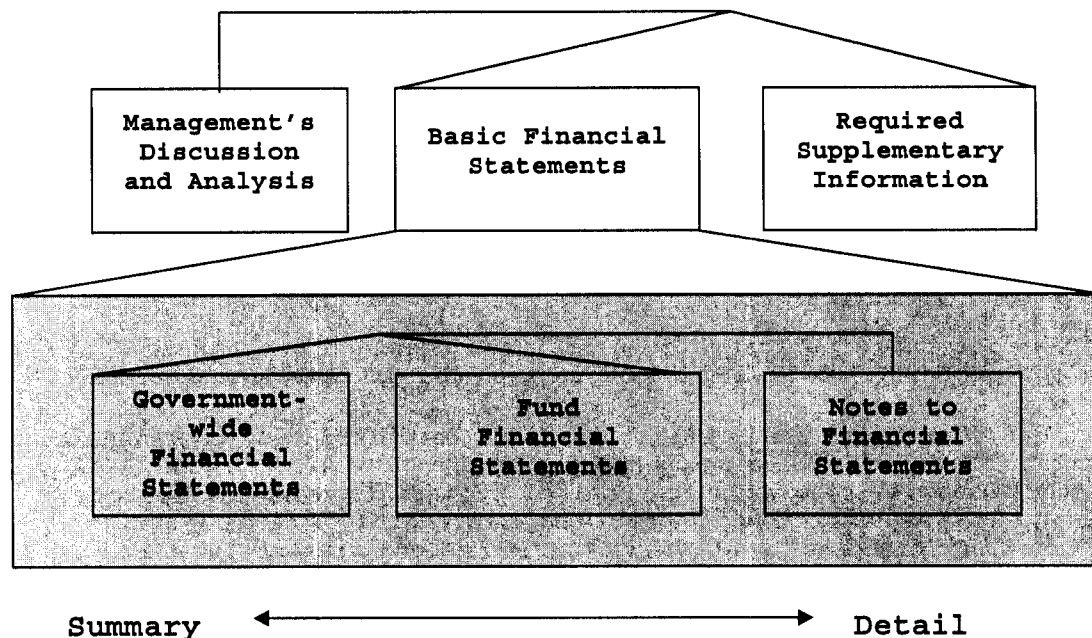


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as flex spending
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- **Agency Funds** - The District accounts for the flex benefit program in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 6,501	5,488	72	31	6,573	5,519	19.10%
Capital assets	10,268	10,215	-	1	10,268	10,216	0.51%
<b>Total assets</b>	<b>16,769</b>	<b>15,703</b>	<b>72</b>	<b>32</b>	<b>16,841</b>	<b>15,735</b>	<b>7.03%</b>
Current liabilities	4,838	4,035	-	-	4,838	4,035	19.90%
Non-current liabilities	6,810	7,045	-	-	6,810	7,045	-3.34%
<b>Total liabilities</b>	<b>11,648</b>	<b>11,080</b>	<b>-</b>	<b>-</b>	<b>11,648</b>	<b>11,080</b>	<b>5.13%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	3,583	3,270	-	1	3,583	3,271	9.54%
Restricted	1,090	1,166	-	-	1,090	1,166	-6.52%
Unrestricted	448	187	72	31	520	218	138.53%
<b>Total net assets</b>	<b>\$ 5,121</b>	<b>4,623</b>	<b>72</b>	<b>32</b>	<b>5,193</b>	<b>4,655</b>	<b>11.56%</b>

Unrestricted net assets increased primarily due to the District's General Fund increase. Restricted assets decreased as the Capital Projects Fund was used for infrastructure projects and property tax relief (debt reduction).

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-4**  
**Changes in Net Assets**  
**(expressed in thousands)**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
<b>Revenues:</b>							
Program revenues:							
Charges for service and sales	\$ 625	607	244	245	869	852	2.00%
Operating grants, contributions and restricted interest	1,909	1,379	183	166	2,092	1,545	35.40%
General revenues:							
Property tax	3,163	2,602	-	-	3,163	2,602	21.56%
Income surtax	434	478	-	-	434	478	-9.21%
Statewide sales and services and use tax	394	398	-	-	394	398	-1.01%
Unrestricted state grants	2,093	2,222	-	-	2,093	2,222	-5.81%
Unrestricted investment earnings	4	1	-	-	4	1	300.00%
Other	58	39	-	-	58	39	48.72%
Total revenues	<u>8,680</u>	<u>7,726</u>	<u>427</u>	<u>411</u>	<u>9,107</u>	<u>8,137</u>	<u>11.92%</u>
<b>Program expenses:</b>							
Governmental activities:							
Instruction	5,152	5,226	-	-	5,152	5,226	-1.42%
Support services	2,257	1,961	-	-	2,257	1,961	15.09%
Non-instructional programs	-	-	387	389	387	389	-0.51%
Other expenses	774	1,084	-	-	774	1,084	-28.60%
Total expenses	<u>8,183</u>	<u>8,271</u>	<u>387</u>	<u>389</u>	<u>8,570</u>	<u>8,660</u>	<u>-1.04%</u>
Change in net assets	<u>\$ 497</u>	<u>(545)</u>	<u>40</u>	<u>22</u>	<u>537</u>	<u>(523)</u>	<u>-202.68%</u>

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 86% of the total expenses. The District increased its spending on these areas which are the most directly related to classroom activities from 83% to 86% of total expenses.

## Governmental Activities

Revenues for governmental activities were \$8,680,558 and expenses were \$8,183,311 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (expressed in thousands)						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 5,152	5,226	-1.42%	3,143	3,621	-13.20%
Support services	2,257	1,961	15.09%	2,214	1,939	14.18%
Other expenses	774	1,084	-28.60%	292	725	-59.72%
Totals	\$ 8,183	8,271	-1.06%	5,649	6,285	-10.12%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$625,361.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,055,175
- The net cost of governmental activities was financed with \$3,162,303 in property tax and \$2,092,541 in state foundation aid.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$426,821 and expenses totaled \$386,587. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$1,286,106, an 18% increase over last year's ending fund balance of \$1,091,293. This was a result of an increase of over \$500,000 in the General Fund. This was offset in part by decreases in the Capital Project Fund as funds were spent to complete the Junior High/Senior High construction project.

## Governmental Fund Highlights

Several factors contributed to the changes of the fund balances in the District's governmental funds.

- The District received \$394,144 in statewide sales, services and use taxes. This money is being used for infrastructure projects and debt retirement. This saved the District's taxpayers over \$275,000 in property taxes.
- The District controlled discretionary spending in all areas.
- Declining enrollment has a negative effect on the General Fund.

- The combining of the junior and senior high facilities into one location resulted in considerable cost savings.
- The old junior high property has been sold. Over \$175,000 was received in FY10.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased approximately \$40,000 in fiscal year 2010.

### BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Actual expenditures did not exceed the budgeted amounts in any of the four functions. The unspent authorized budget remains above 10% of the General Fund budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The District has invested more than \$10.2 million, net of accumulated depreciation, by the end of fiscal 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The old junior high building has been sold. Total depreciation expenses for the year exceeded \$318,000.

Figure A-6  
Capital Assets, net of Depreciation  
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 10	10	-	-	10	10	0.00%
Buildings	10,124	2,226	-	-	10,124	2,226	354.81%
Construction in progress	-	7,776	-	-	-	7,776	-100.00%
Furniture and equipment	134	202	-	1	134	203	-33.99%
Totals	\$ 10,268	10,214	-	1	10,268	10,215	0.52%

#### Long-Term Debt

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. The bonds have an interest rate of 4.0% and will fully mature in 2027. They are being paid from a combination of sales tax and property tax revenues.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 6,685	6,945	-4.00%
Other postemployment benefits	43	-	100.00%
Early retirement	82	100	-18.00%
	<u>\$ 6,810</u>	<u>7,045</u>	<u>-3.34%</u>

Early retirement and postemployment benefits are payable in future years. See the notes to financial statements for further explanation of these items.

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for fiscal year 2010 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will need to continue to monitor payroll expenses as they account for the vast majority of the budget.
- The District hopes to achieve continued savings due to combining the junior and senior high schools onto one campus.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Allowable growth must be increased above 2% to allow the District to maintain its current programs.
- Midyear state aid cuts have caused problems in the past and will continue to do so.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Swanson, District Business Manager, Emmetsburg Community School District, 205 King Street, Emmetsburg, IA 50536.

## Basic Financial Statements

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

		Business Type Activities	
	Governmental Activities	School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,894,859	57,586	1,952,445
Receivables:			
Property tax:			
Current year	34,200	-	34,200
Succeeding year	3,864,079	-	3,864,079
Income surtax	421,786	-	421,786
Due from other governments	255,520	-	255,520
Other receivables	30,274	969	31,243
Inventories	-	13,218	13,218
Capital assets, net of accumulated depreciation	10,267,952	184	10,268,136
<b>Total assets</b>	<u>16,768,670</u>	<u>71,957</u>	<u>16,840,627</u>
<b>Liabilities</b>			
Accounts payable	331,963	-	331,963
Accrued payroll and benefits	481,721	-	481,721
Accrued interest payable	44,567	-	44,567
Deferred revenue:			
Succeeding year property tax	3,864,079	-	3,864,079
Federal programs	115,063	-	115,063
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	18,000	-	18,000
General obligation bonds payable	270,000	-	270,000
Portion due after one year:			
Net OPEB payable	43,306	-	43,306
Early retirement payable	64,000	-	64,000
General obligation bonds payable	6,415,000	-	6,415,000
<b>Total liabilities</b>	<u>11,647,699</u>	<u>-</u>	<u>11,647,699</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,582,952	184	3,583,136
Restricted for:			
Management levy	6,393	-	6,393
Physical plant and equipment levy	528,335	-	528,335
Debt service	4	-	4
Capital projects	462,501	-	462,501
Categorical funding	93,121	-	93,121
Unrestricted	447,665	71,773	519,438
<b>Total net assets</b>	<u>\$ 5,120,971</u>	<u>71,957</u>	<u>5,192,928</u>

See notes to financial statements.



## EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:	\$ 5,152,260	622,257	1,387,372	(3,142,631)	-	(3,142,631)
Support services:						
Student services	146,684	-	-	(146,684)	-	(146,684)
Instructional staff services	112,846	-	-	(112,846)	-	(112,846)
Administration services	841,842	-	-	(841,842)	-	(841,842)
Operation and maintenance of plant services	790,178	-	39,876	(750,302)	-	(750,302)
Transportation services	365,142	3,104	-	(362,038)	-	(362,038)
	2,256,692	3,104	39,876	(2,213,712)	-	(2,213,712)
Other expenditures:						
AEA flowthrough	296,572	-	296,572	-	-	-
Interest on long-term debt	276,067	-	-	(276,067)	-	(276,067)
Facilities acquisition and construction	201,720	-	185,626	(16,094)	-	(16,094)
	774,359	-	482,198	(292,161)	-	(292,161)
Total governmental activities	8,183,311	625,361	1,909,446	(5,648,504)	-	(5,648,504)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Nutrition services	386,587	243,743	183,078	-	40,234
					40,234
Total	\$ 8,569,898	869,104	2,092,524	(5,648,504)	(5,608,270)
General revenues:					
Property tax levied for:					
General purposes			\$ 2,825,130	-	2,825,130
Management			160,909	-	160,909
Capital outlay			176,664	-	176,664
Income surtax:					
General purposes			253,211	-	253,211
Capital outlay			180,815	-	180,815
Statewide sales, services and use tax			394,144	-	394,144
Unrestricted state grants			2,092,541	-	2,092,541
Unrestricted investment earnings			4,421	-	4,421
Other			57,916	-	57,916
Total general revenues			6,145,751	-	6,145,751
Change in net assets			497,247	40,234	537,481
Net assets beginning of year			4,623,724	31,723	4,655,447
Net assets end of year			\$ 5,120,971	71,957	5,192,928

See notes to financial statements.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

Assets							
	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Cash and pooled investments	\$ 897,194	42,572	168,559	346,411	440,119	4	1,894,859
Receivables:							
Property tax:							
Current year	30,334	-	2,044	1,822	-	-	34,200
Succeeding year	3,408,246	-	239,999	215,834	-	-	3,864,079
Income surtax	246,042	-	-	175,744	-	-	421,786
Due from other governments	233,138	-	-	-	22,382	-	255,520
Other receivables	-	21	46	30,207	-	-	30,274
Total assets	\$ 4,814,954	42,593	410,648	770,018	462,501	4	6,500,718
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 141,700	158	164,256	25,849	-	-	331,963
Accrued payroll and benefits	481,721	-	-	-	-	-	481,721
Deferred revenue:							
Succeeding year property tax	3,408,246	-	239,999	215,834	-	-	3,864,079
Succeeding year income surtax	246,042	-	-	175,744	-	-	421,786
Federal programs	115,063	-	-	-	-	-	115,063
Total liabilities	4,392,772	158	404,255	417,427	-	-	5,214,612
Fund balances:							
Reserved for:							
Categorical funding	93,121	-	-	-	-	-	93,121
Debt service	-	-	-	-	-	4	4
Unreserved, reported in:							
Capital projects	-	-	-	-	462,501	-	462,501
Special revenue	-	42,435	6,393	352,591	-	-	401,419
General fund	329,061	-	-	-	-	-	329,061
Total fund balances	422,182	42,435	6,393	352,591	462,501	4	1,286,106
Total liabilities and fund balances	\$ 4,814,954	42,593	410,648	770,018	462,501	4	6,500,718

See notes to financial statements.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 1,286,106</b>
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	421,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,267,952
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,810,306)
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	<u>(44,567)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 5,120,971</u></b>

See notes to financial statements.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	Revenues:			Expenditures:			Debt Service	Capital Projects	Total
	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Current:	Instruction			
Local sources:									
Local tax	\$ 3,070,932	-	160,909	352,189			-	394,144	3,978,174
Tuition	622,257	-	-	-			-	-	622,257
Other	158,519	261,079	15,145	1,771			-	7,325	443,839
State sources	2,853,067	-	-	-			-	-	2,853,067
Federal sources	568,261	-	-	22,960			-	-	591,221
Total revenues	7,273,036	261,079	176,054	376,920			-	401,469	8,488,558
Expenditures:									
Current:									
Instruction	4,737,103	267,461	97,868	24,522			-	-	5,126,954
Support services:									
Student services	146,684	-	-	-			-	-	146,684
Instructional staff services	112,846	-	-	-			-	-	112,846
Administration services	650,704	-	191,138	-			-	-	841,842
Operation and maintenance of plant services	515,760	-	18,674	-			-	-	534,434
Transportation services	284,848	-	17,931	-			-	-	302,779
	1,710,842	-	227,743	-			-	-	1,938,585

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
AEA flowthrough	296,572	-	-	-	-	-	296,572
Long-term debt:							
Principal	-	-	-	-	-	260,000	260,000
Interest	-	-	-	-	-	277,800	277,800
Facilities acquisition and construction	-	-	-	186,224	386,911	-	573,135
	296,572	-	-	186,224	386,911	537,800	1,407,507
Total expenditures	6,744,517	267,461	325,611	210,746	386,911	537,800	8,473,046
Excess (deficiency) of revenues over (under) expenditures	528,519	(6,382)	(149,557)	166,174	14,558	(537,800)	15,512
Other financing sources (uses):							
Sale of equipment and real property	1,000	-	-	178,301	-	-	179,301
Operating transfers in	-	-	-	-	-	537,800	537,800
Operating transfers out	-	-	-	(260,000)	(277,800)	-	(537,800)
	1,000	-	-	(81,699)	(277,800)	537,800	179,301
Net change in fund balances	529,519	(6,382)	(149,557)	84,475	(263,242)	-	194,813
Fund balances beginning of year	(107,337)	48,817	155,950	268,116	725,743	4	1,091,293
Fund balances end of year	\$ 422,182	42,435	6,393	352,591	462,501	4	1,286,106

See notes to financial statements.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 194,813

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities  
This represents the change from FY09 to FY10

12,699

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 371,415	
Depreciation expense	<u>(318,107)</u>	53,308

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	18,000	
Other postemployment benefits	<u>(43,306)</u>	(25,306)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,733

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	<u>260,000</u>
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Change in net assets of governmental activities (Exhibit B) \$ 497,247

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	<u>\$ 243,743</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	138,102
Benefits	45,551
Services	395
Supplies	202,146
Depreciation	<u>393</u>
Total operating expenses	<u>386,587</u>
Operating (loss)	<u>(142,844)</u>
Non-operating revenues:	
State sources	3,823
Federal sources	179,069
Interest income	<u>186</u>
	<u>183,078</u>
Changes in fund net assets	40,234
Net assets beginning of year	<u>31,723</u>
Net assets end of year	<u><u>\$ 71,957</u></u>

See notes to financial statements.



## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 242,774
Cash payments to employees for services	(183,653)
Cash payments to suppliers for goods or services	(176,235)
Net cash (used by) operating activities	<u>(117,114)</u>
Cash flows from non-capital financing activities:	
State grants received	3,823
Federal grants received	153,481
Net cash provided by non-capital financing activities	<u>157,304</u>
Cash flows from investing activities:	
Interest on investments	<u>186</u>
Net change in cash and cash equivalents	40,376
Cash and cash equivalents beginning of year	<u>17,210</u>
Cash and cash equivalents end of year	<u>\$ 57,586</u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Operating (loss)	\$ (142,844)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	\$ 393
Commodities used	25,588
(Increase) in receivables	(969)
Decrease in inventory	718
	<u>\$ (117,114)</u>
<b>Non-cash investing, capital and financing activities:</b>	

During the year ended June 30, 2010, the District received federal commodities valued at \$25,588.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and pooled investments	\$ 37,231
<b>Total assets</b>	<u>37,231</u>
<b>Liabilities</b>	
Accounts payable	<u>\$ 37,231</u>

See notes to financial statements

# EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Emmetsburg, Iowa, and agricultural area in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Emmetsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District for administering its flex spending plan.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangible assets	50,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in Progress	7,776,202	-	7,776,202	-
	<u>7,786,202</u>	<u>-</u>	<u>7,776,202</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	4,928,014	8,147,617	-	13,075,631
Furniture and Equipment	1,258,954	-	-	1,258,954
Total capital assets being depreciated	<u>6,186,968</u>	<u>8,147,617</u>	<u>-</u>	<u>14,334,585</u>
Less accumulated depreciation for:				
Buildings	2,701,573	249,683	-	2,951,256
Furniture and Equipment	1,056,953	68,424	-	1,125,377
Total accumulated depreciation	<u>3,758,526</u>	<u>318,107</u>	<u>-</u>	<u>4,076,633</u>
Total capital assets being depreciated, net	<u>2,428,442</u>	<u>7,829,510</u>	<u>-</u>	<u>10,257,952</u>
Governmental activities, capital assets, net	<u>\$ 10,214,644</u>	<u>7,829,510</u>	<u>7,776,202</u>	<u>10,267,952</u>
Business type activities:				
Furniture and equipment	\$ 125,304	-	-	125,304
Less accumulated depreciation	124,727	393	-	125,120
Business type activities capital assets, net	<u>\$ 577</u>	<u>(393)</u>	<u>-</u>	<u>184</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Plant operation and maintenance				\$ 255,744
Transportation services				62,363
				<u>\$ 318,107</u>
Business Type activities:				
Food service operations				<u>\$ 393</u>

### (4) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ -	43,306	-	43,306	-
General Obligation Bonds	6,945,000	-	260,000	6,685,000	270,000
Early Retirement	100,000	-	18,000	82,000	18,000
Total	<u>\$7,045,000</u>	<u>43,306</u>	<u>278,000</u>	<u>6,810,306</u>	<u>288,000</u>



## General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			
	Rates	Interest	Principal	Total
2011	4.00%	\$ 267,400	270,000	537,400
2012	4.00	256,600	280,000	536,600
2013	4.00	245,400	295,000	540,400
2014	4.00	233,600	310,000	543,600
2015	4.00	221,200	320,000	541,200
2016-2020	4.00	901,400	1,840,000	2,741,400
2021-2025	4.00	498,000	2,300,000	2,798,000
2026-2027	4.00	64,600	1,070,000	1,134,600
Total		<u>\$2,688,200</u>	<u>6,685,000</u>	<u>9,373,200</u>

### Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must have attained the age of 55 on or before July 1 of the year of retirement but not exceeded the age of 66 when the benefit is first paid. For benefits to be payable, the licensed employee must have completed at least 12 years of full-time consecutive service in the district. The early retirement benefit for each eligible employee is equal to the single insurance premium, not to exceed \$5,000 yearly. Early retirement benefits paid during the year ended June 30, 2010 totaled \$18,000. The cost of early retirement payments expected to be liquidated currently is recorded as a long-term liability in the amount of \$18,000.

### **(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$289,136, \$279,864, and \$253,681 respectively, equal to the required contributions for each year.

### **(6) Risk Management**

Emmetsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$296,572 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(8) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$260,000
Debt Service	Capital Projects	<u>322,038</u>
		<u>\$582,038</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 96 active members and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,251
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>57,251</u>
Contributions made	<u>(13,945)</u>
Increase in net OPEB obligation	<u>43,306</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 43,306</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$13,945 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$57,251	24.4%	\$43,306

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$503,332, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$503,332. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,365,000 and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Required Supplementary Information**

# EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,044,270	243,929	5,288,199	5,092,894	5,092,894	195,305
State sources	2,853,067	3,823	2,856,890	3,522,481	3,522,481	(665,591)
Federal sources	591,221	179,069	770,290	330,000	330,000	440,290
Total revenues	8,488,558	426,821	8,915,379	8,945,375	8,945,375	(29,996)
Expenditures/Expenses:						
Instruction	5,126,954	-	5,126,954	5,854,345	5,854,345	727,391
Support services	1,938,585	-	1,938,585	2,552,837	2,552,837	614,252
Non-instructional programs	-	386,587	386,587	425,000	425,000	38,413
Other expenditures	1,407,507	-	1,407,507	1,491,082	1,491,082	83,575
Total expenditures/expenses	8,473,046	386,587	8,859,633	10,323,264	10,323,264	1,463,631
Excess (deficiency) of revenues over (under) expenditures/expenses	15,512	40,234	55,746	(1,377,889)	(1,377,889)	1,433,635
Other financing sources (uses)	179,301	-	179,301	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	194,813	40,234	235,047	(1,377,889)	(1,377,889)	1,433,635
Balance beginning of year	1,091,293	31,723	1,123,016	1,778,426	1,778,426	(655,410)
Balance end of year	\$ 1,286,106	71,957	1,358,063	400,537	400,537	778,225

See accompanying independent auditor's report.

**EMMETSBURG COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$503	\$503	0.0%	\$4,365	11.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information



## EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Tickets	\$ 23,172	11,618	34,780	10
Rental Fees	1,328	1,620	2,922	26
V Show Choir Rental	3,675	405	-	4,080
JV Show Choir Rental	1,121	326	-	1,447
Concert Choir Uniform Rental	1,098	30	212	916
Middle School Swing Choir	-	211	111	100
Gifts and Donations	3,827	123	200	3,750
Interest Earned	4,117	341	3,955	503
Elementary Book Fair	17	4,227	4,244	-
Tournaments	-	22,945	22,945	-
Middle School Music	(655)	655	-	-
HS Vocal Music	(15,748)	16,001	253	-
HS Instrumental Music	45	2,035	448	1,632
Swing Choir	3,222	-	3,222	-
Musical/Play	(2,814)	3,668	-	854
Pupil Insurance	12	530	530	12
Pepsi Funds	15,708	7,856	23,384	180
FFA	392	34,893	30,688	4,597
Speech and Drama	7,492	590	8,082	-
Elementary Student Council	3,154	3,890	1,266	5,778
MS Student Council	(236)	3,990	653	3,101
HS Student Council	1,995	9,641	7,327	4,309
Concessions	204	703	1,122	(215)
Previous Year Aerie	165	580	705	40
Present Year Aerie	2,223	13,963	16,186	-
National Honor Society	(264)	1,431	1,167	-
Previous Classes	2,919	-	1,751	1,168
Class of 2013	-	22	60	(38)
Class of 2012	(60)	8	42	(94)
Class of 2011	(60)	17,654	16,471	1,123
Class of 2010	1,088	2,661	3,749	-
Class of 2009	76	-	76	-
Class of 2006	(111)	111	-	-
Class of 2007	(50)	50	-	-
Class of 2008	2,383	-	2,383	-
Cheerleaders	(600)	10,695	9,830	265
Peer Counseling	105	-	-	105
Spanish Club	1,794	-	1,721	73
General Athletics	(17,832)	78,450	60,449	169
Speed and Agility	(1,434)	2,113	-	679
HS Football	1,223	10,860	9,337	2,746
HS Boys Golf	-	-	-	-

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Softball Fundraiser	49	15,694	15,442	301
HS Boys Track	263	350	445	168
HS Cross Country	-	310	203	107
HS Volleyball	389	-	-	389
Journalism	395	-	-	395
Towels	3,965	-	787	3,178
Helping Hands	462	-	449	13
Hawks Nest	441	463	336	568
Maier Fund	162	5,000	5,162	-
	48,817	286,713	293,095	42,435
-Interaccount transfers		(25,634)	(25,634)	
Totals	\$ 48,817	261,079	267,461	42,435

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 3,978,174	\$ 3,423,513	3,383,861	3,398,214	3,387,786	3,279,793	2,784,860
Tuition	622,257	526,469	523,733	633,127	522,290	417,357	407,700
Other	443,839	520,078	623,551	457,340	386,271	363,099	293,795
State sources	2,853,067	2,994,369	3,052,031	3,013,420	2,860,913	2,932,086	2,911,901
Federal sources	591,221	207,734	175,351	268,678	300,229	208,250	325,603
Total	<u>\$ 8,488,558</u>	<u>\$ 7,672,163</u>	<u>7,758,527</u>	<u>7,770,779</u>	<u>7,457,489</u>	<u>7,200,585</u>	<u>6,723,859</u>
<b>Expenditures:</b>							
Instruction	\$ 5,126,954	\$ 5,257,437	4,910,987	4,405,024	4,058,450	4,135,201	4,200,251
Support services:							
Student	146,684	96,885	148,500	140,130	129,598	231,101	280,416
Instructional staff	112,846	124,117	139,135	154,341	163,935	158,401	135,024
Administration	841,842	636,551	727,436	1,128,369	635,668	573,344	704,940
Operation and maintenance of plant	534,434	635,801	820,937	736,696	641,744	536,930	560,012
Transportation	302,779	337,369	354,098	370,009	372,138	361,809	193,044
Other expenditures:							
Facilities acquisition	573,135	3,635,450	4,632,841	340,564	93,296	260,086	236,675
Debt Service:							
Principal	260,000	245,000	235,000	125,000	125,000	125,000	125,000
Interest	277,800	287,600	297,000	3,688	7,000	9,813	16,742
Services	-	-	200	-	-	-	-
AEA flowthrough	296,572	252,057	245,750	240,007	232,284	231,258	301,822
Total	<u>\$ 8,473,046</u>	<u>\$ 11,508,267</u>	<u>12,511,884</u>	<u>7,643,828</u>	<u>6,459,113</u>	<u>6,622,943</u>	<u>6,753,926</u>

See accompanying independent auditor's report.

## EMMETSBURG COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	\$ 25,743
Food Distribution (non-cash)	10.555	FY10	25,588
National School Lunch Program	10.555	FY10	127,738
			<u>179,069</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	78,792
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>17,390</u>
			96,182
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY10	2,231
Improving Teacher Quality States Grants	84.367	FY10	71,856
Grants for Assessments and Related Activities	84.369	FY10	4,966
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act Cluster:	84.394	FY10	372,593
Tech Prep Education	84.243	FY10	9,075
Area Education Agency 8:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	88,856
Special Education - Grants to States (IDEA Part B)	84.027	FY10	<u>40,620</u>
Total			<u>\$ 865,448</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Emmetsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emmetsburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmetsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bruce D. Frink*

**BRUCE D. FRINK**  
Certified Public Accountant

March 25, 2011

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Emmetsburg Community School District:

#### Compliance

We have audited the compliance of Emmetsburg Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Emmetsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Emmetsburg Community School District's management. Our responsibility is to express an opinion on Emmetsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Emmetsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Emmetsburg Community School District's compliance with those requirements.

In our opinion Emmetsburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control over Compliance

The management of Emmetsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Emmetsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Emmetsburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Bruce D. Frink*

BRUCE D. FRINK  
Certified Public Accountant

March 25, 2011



EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.Clustered programs:
  - CFDA Number 84.010: Title I Grants to Local Educational Agencies
  - CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Emmetsburg Community School District did not qualify as a low-risk auditee.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

II-B-10 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Other and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 84.010: Title I Grants to Local Educational Agencies

CFDA Number 84.389: ARRA, Title I Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

III-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10      Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.
- Iv-B-10      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10      Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-H-10      Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- IV-I-10      Certified Enrollment - We noted no variances in the basis enrollment data certified to the Department of Education.
- IV-J-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-10      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**  
(continued)

IV-L-10      Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	-
Statewide sales, services and use tax revenue			394,144
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	72,106	
Debt service for school infrastructure:			
General obligation debt		<u>322,038</u>	<u>394,144</u>
Ending balance		\$	<u>-</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt Service	\$1.18	322,038
Property plant and equipment levy	<u>.25</u>	<u>72,106</u>
	<u>\$1.43</u>	<u>394,144</u>